

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates generating, transmission and distribution facilities and serves approximately 376,000 customers in the Seattle area.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 180 miles of supply mains and distribution storage capacity of 494 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 630,000 people. The utility also sells to 25 surrounding cities and water districts that provide water to an additional 720,000 people.

The **Drainage and Wastewater Fund** accounts for the operations of the sewer and drainage utility facilities and its pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,900 miles of sewers and drainage mainlines, nearly one-half of which are separate sanitary sewers and storm mainlines.

Descriptions for the **nonmajor enterprise funds** and the internal funds are provided in the combining statements section.

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2005	2004	2005	Restated 2004
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 141,898	\$ 60,715	\$ 8,879	\$ 6,011
Restricted Cash and Equity in Pooled Investments	-	5,219	18,743	13,104
Receivables, Net of Allowances				
Accounts	63,302	78,403	9,200	9,538
Interest and Dividends	495	-	83	-
Unbilled	60,731	61,804	7,177	7,272
Energy Contracts, Notes, and Other Contracts	1,835	1,825	74	97
Restricted Investments	-	-	35,224	-
Restricted Investment Interest Receivables	-	-	127	-
Due from Other Funds	2,612	20,730	1,306	1,387
Due from Other Governments	3,437	9,513	817	1,384
Materials and Supplies Inventory	21,651	18,886	4,483	4,611
Prepayments and Other Current Assets	939	546	5	13
Total Current Assets	296,900	257,641	86,118	43,417
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	35,815	91,611	13,127	17,538
Restricted Investments	-	26,888	-	88,194
Restricted Receivables and Other	-	-	-	-
Unamortized Bond Issue Costs, Net	8,018	6,169	5,133	5,250
Notes and Contracts Receivable	-	-	255	334
Capitalized Purchased Power Commitment	25,891	35,663	-	-
Deferred Conservation Costs, Net	130,658	124,316	26,990	25,928
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Deferred External Infrastructure Costs	-	-	-	-
Capitalized Relicensing Costs	24,159	16,013	-	-
Deferred Muckleshoot Settlement Costs	-	-	18,000	-
Other Deferred Charges	76,571	59,706	7,329	5,481
Capital Assets				
Land and Land Rights	41,242	40,646	15,120	15,073
Plant in Service, Excluding Land	2,356,719	2,249,506	1,241,602	1,198,846
Less Accumulated Depreciation	(1,047,055)	(980,740)	(349,961)	(326,684)
Building and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	76,938	85,659	78,184	70,515
Other Property, Net	30,891	13,112	275	275
Total Noncurrent Assets	1,759,847	1,768,549	1,056,054	1,100,750
Total Assets	2,056,747	2,026,190	1,142,172	1,144,167

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Nonmajor Funds	
	2005	Restated 2004	2005	Restated 2004
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 8,752	\$ 7,676	\$ 27,320	\$ 25,009
Restricted Cash and Equity in Pooled Investments	5,529	4,097	-	-
Receivables, Net of Allowances				
Accounts	10,985	10,497	11,624	13,083
Interest and Dividends	45	-	70	-
Unbilled	11,835	10,829	249	266
Energy Contracts, Notes, and Other Contracts	2	10	-	-
Restricted Investments	17,925	-	-	-
Restricted Investment Interest Receivables	138	-	-	-
Due from Other Funds	1,298	778	1,185	974
Due from Other Governments	328	1,022	186	220
Materials and Supplies Inventory	-	-	7	77
Prepayments and Other Current Assets	2	1	-	-
Total Current Assets	56,839	34,910	40,641	39,629
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	5,631	5,477	-	13
Restricted Investments	-	46,982	-	-
Restricted Receivables and Other	-	42	-	-
Unamortized Bond Issue Costs, Net	2,285	2,375	475	537
Notes and Contracts Receivable	-	-	-	-
Capitalized Purchased Power Commitment	-	-	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	35,585	38,760
Deferred External Infrastructure Costs	22,126	20,367	-	-
Capitalized Relicensing Costs	-	-	-	-
Deferred Muckleshoot Settlement Costs	-	-	-	-
Other Deferred Charges	24,185	21,213	1,633	1,891
Capital Assets				
Land and Land Rights	9,531	7,375	1,791	1,791
Plant in Service, Excluding Land	578,322	556,521	42,797	36,803
Less Accumulated Depreciation	(153,832)	(144,343)	(20,926)	(20,576)
Building and Improvements	-	-	73,012	73,013
Less Accumulated Depreciation	-	-	(17,036)	(14,603)
Machinery and Equipment	-	-	13,319	10,582
Less Accumulated Depreciation	-	-	(4,210)	(3,115)
Construction in Progress	37,781	29,123	5,588	6,746
Other Property, Net	-	-	1,730	1,730
Total Noncurrent Assets	526,029	545,132	133,758	133,572
Total Assets	582,868	580,042	174,399	173,201

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds	
	Comparative Totals			
	2005	Restated 2004	2005	2004
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 186,849	\$ 99,411	\$ 43,121	\$ 42,984
Restricted Cash and Equity in Pooled Investments	24,272	22,420	-	-
Receivables, Net of Allowances				
Accounts	95,111	111,521	617	85
Interest and Dividends	693	-	127	-
Unbilled	79,992	80,171	6	5
Energy Contracts, Notes, and Other Contracts	1,911	1,932	-	-
Restricted Investments	53,149	-	-	-
Restricted Investment Interest Receivables	265	-	-	-
Due from Other Funds	6,401	23,869	7,081	5,501
Due from Other Governments	4,768	12,139	3,340	2,831
Materials and Supplies Inventory	26,141	23,574	2,207	2,062
Prepayments and Other Current Assets	946	560	-	-
Total Current Assets	480,498	375,597	56,499	53,468
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	54,573	114,639	83	5
Restricted Investments	-	162,064	-	-
Restricted Receivables and Other	-	42	-	-
Unamortized Bond Issue Costs, Net	15,911	14,331	-	-
Notes and Contracts Receivable	255	334	-	-
Capitalized Purchased Power Commitment	25,891	35,663	-	-
Deferred Conservation Costs, Net	157,648	150,244	-	-
Deferred Landfill Closure and Postclosure Costs, Net	35,585	38,760	-	-
Deferred External Infrastructure Costs	22,126	20,367	-	-
Capitalized Relicensing Costs	24,159	16,013	-	-
Deferred Muckleshoot Settlement Costs	18,000	-	-	-
Other Deferred Charges	109,718	88,291	-	-
Capital Assets				
Land and Land Rights	67,684	64,885	81	81
Plant in Service, Excluding Land	4,219,440	4,041,676	-	-
Less Accumulated Depreciation	(1,571,774)	(1,472,343)	-	-
Building and Improvements	73,012	73,013	2,574	2,528
Less Accumulated Depreciation	(17,036)	(14,603)	(482)	(660)
Machinery and Equipment	13,319	10,582	146,019	146,958
Less Accumulated Depreciation	(4,210)	(3,115)	(79,153)	(79,953)
Construction in Progress	198,491	192,043	5,333	3,471
Other Property, Net	32,896	15,117	-	-
Total Noncurrent Assets	3,475,688	3,548,003	74,455	72,430
Total Assets	3,956,186	3,923,600	130,954	125,898

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2005	2004	2005	Restated 2004
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 55,873	\$ 37,530	\$ 4,655	\$ 5,782
Salaries, Benefits, and Payroll Taxes Payable	8,157	6,018	2,150	2,148
Contracts Payable	-	-	-	-
Compensated Absences Payable	511	480	382	359
Interfund Loans Payable	-	5,159	-	-
Due to Other Funds	6,439	5,273	2,575	2,070
Due to Other Governments	-	-	56	674
Interest Payable	21,084	16,226	8,414	11,659
Street Refund Payable	3,864	19,998	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	-	-
Taxes Payable	8,830	8,367	495	619
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	63,435	64,596	24,090	22,470
Energy and Other Contracts Payable	1,276	1,710	-	-
Claims Payable	4,527	6,098	1,504	1,938
Purchased Power Obligation	11,240	10,705	-	-
Notes and Contracts Payable	5,275	-	118	118
Muckleshoot Settlement Liability	-	-	18,000	-
Landfill Closure and Postclosure Liability	-	-	-	-
Deferred Credits	6,090	2,901	1,436	2,463
Other Current Liabilities	2,560	2,910	-	-
Total Current Liabilities	199,161	187,971	63,875	50,300
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	10,480	10,369	3,555	3,257
Claims Payable	13,861	9,507	3,837	4,360
Notes and Contracts Payable	4,319	-	-	-
Long-Term Purchased Power Obligation	25,891	35,663	-	-
Less Obligation Due Within One Year	(11,240)	(10,705)	-	-
Public Works Trust Loan	-	-	828	946
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	205	163
Deferred Credits	30,789	30,029	11,936	10,898
Other Noncurrent Liabilities	192	176	159	15
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Accrued Interest on Deferred Interest Bonds	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds and Anticipation Notes	1,472,650	1,537,246	776,790	794,635
Less Revenue Bonds Due Within One Year	(63,435)	(64,596)	(24,090)	(22,470)
Bond Discount and Premium, Net	36,126	40,103	21,589	14,799
Deferred Loss on Advanced Refunding	(47,844)	(53,460)	(18,576)	(11,080)
Total Noncurrent Liabilities	1,471,789	1,534,332	776,233	795,523
Total Liabilities	1,670,950	1,722,303	840,108	845,823
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	151,092	128,454	285,513	284,121
Restricted for Other Purposes	102,223	72,156	13,631	16,330
Unrestricted	132,482	103,277	2,920	(2,107)
Total Net Assets	\$ 385,797	\$ 303,887	\$ 302,064	\$ 298,344
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Nonmajor Funds	
	2005	Restated 2004	2005	Restated 2004
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 3,752	\$ 2,850	\$ 8,560	\$ 9,359
Salaries, Benefits, and Payroll Taxes Payable	1,357	1,236	1,847	1,660
Contracts Payable	-	-	-	3
Compensated Absences Payable	214	201	380	343
Interfund Loans Payable	-	-	-	-
Due to Other Funds	3,993	2,512	1,439	1,131
Due to Other Governments	7,587	7,210	373	271
Interest Payable	4,049	3,628	560	644
Street Refund Payable	-	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	459	370
Taxes Payable	140	172	200	208
General Obligation Bonds Due Within One Year	-	-	1,101	1,050
Revenue Bonds Due Within One Year	6,755	6,325	16,146	11,941
Energy and Other Contracts Payable	-	-	-	-
Claims Payable	4,313	3,602	273	499
Purchased Power Obligation	-	-	-	-
Notes and Contracts Payable	198	9	-	-
Muckleshoot Settlement Liability	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	1,610	1,785
Deferred Credits	443	271	13,664	11,547
Other Current Liabilities	-	41	-	1,026
Total Current Liabilities	32,801	28,057	46,612	41,837
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	1,991	1,824	3,027	2,726
Claims Payable	10,368	10,167	607	667
Notes and Contracts Payable	-	-	-	-
Long-Term Purchased Power Obligation	-	-	-	-
Less Obligation Due Within One Year	-	-	-	-
Public Works Trust Loan	4,043	865	-	-
Landfill Closure and Postclosure Liability	-	-	27,672	29,244
Vendor and Other Deposits Payable	245	231	-	(2)
Deferred Credits	-	-	-	-
Other Noncurrent Liabilities	54	93	-	-
General Obligation Bonds, Due Serially	-	-	71,124	72,174
Less Bonds Due Within One Year	-	-	(1,101)	(1,050)
Bond Discount and Premium, Net	-	-	306	320
Accrued Interest on Deferred Interest Bonds	-	-	4,029	3,694
Less Accrued Interest Due Within One Year	-	-	(459)	(370)
Revenue Bonds and Anticipation Notes	294,870	301,195	33,471	33,436
Less Revenue Bonds Due Within One Year	(6,755)	(6,325)	(16,146)	(11,941)
Bond Discount and Premium, Net	2,660	2,747	399	522
Deferred Loss on Advanced Refunding	(1,887)	(2,007)	(739)	(945)
Total Noncurrent Liabilities	305,589	308,790	122,190	128,475
Total Liabilities	338,390	336,847	168,802	170,312
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	219,397	218,892	13,673	9,549
Restricted for Other Purposes	25,849	25,525	1,071	784
Unrestricted	(768)	(1,222)	(9,147)	(7,444)
Total Net Assets	\$ 244,478	\$ 243,195	\$ 5,597	\$ 2,889

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds	
	Comparative Totals			
	2005	Restated 2004	2005	2004
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 72,840	\$ 55,521	\$ 5,675	\$ 3,966
Salaries, Benefits, and Payroll Taxes Payable	13,511	11,062	2,041	1,962
Contracts Payable	(0)	3	105	48
Compensated Absences Payable	1,487	1,383	320	308
Interfund Loans Payable	-	5,159	-	-
Due to Other Funds	14,446	10,986	3,337	1,502
Due to Other Governments	8,016	8,155	-	-
Interest Payable	34,107	32,157	196	79
Street Refund Payable	3,864	19,998	-	-
Deferred Interest on Long-Term Debt Due Within One Year	459	370	-	-
Taxes Payable	9,665	9,366	31	21
General Obligation Bonds Due Within One Year	1,101	1,050	780	950
Revenue Bonds Due Within One Year	110,426	105,332	-	-
Energy and Other Contracts Payable	1,276	1,710	-	-
Claims Payable	10,617	12,137	456	452
Purchased Power Obligation	11,240	10,705	-	-
Notes and Contracts Payable	5,591	127	361	348
Muckleshoot Settlement Liability	18,000	-	-	-
Landfill Closure and Postclosure Liability	1,610	1,785	-	-
Deferred Credits	21,633	17,182	-	-
Other Current Liabilities	2,560	3,977	-	-
Total Current Liabilities	342,449	308,165	13,302	9,636
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	3,500	4,600
Compensated Absences Payable	19,053	18,176	3,130	2,990
Claims Payable	28,673	24,701	969	1,060
Notes and Contracts Payable	4,319	-	381	743
Long-Term Purchased Power Obligation	25,891	35,663	-	-
Less Obligation Due Within One Year	(11,240)	(10,705)	-	-
Public Works Trust Loan	4,871	1,811	-	-
Landfill Closure and Postclosure Liability	27,672	29,244	-	-
Vendor and Other Deposits Payable	450	392	83	5
Deferred Credits	42,725	40,927	-	-
Other Noncurrent Liabilities	405	284	886	836
General Obligation Bonds, Due Serially	71,124	72,174	2,455	3,405
Less Bonds Due Within One Year	(1,101)	(1,050)	(780)	(950)
Bond Discount and Premium, Net	306	320	79	110
Accrued Interest on Deferred Interest Bonds	4,029	3,694	-	-
Less Accrued Interest Due Within One Year	(459)	(370)	-	-
Revenue Bonds and Anticipation Notes	2,577,781	2,666,512	-	-
Less Revenue Bonds Due Within One Year	(110,426)	(105,332)	-	-
Bond Discount and Premium, Net	60,774	58,171	-	-
Deferred Loss on Advanced Refunding	(69,046)	(67,492)	-	-
Total Noncurrent Liabilities	2,675,801	2,767,120	10,703	12,799
Total Liabilities	3,018,250	3,075,285	24,005	22,435
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	669,675	641,016	71,097	68,911
Restricted for Other Purposes	142,774	114,795	-	-
Unrestricted	125,487	92,504	35,852	34,553
Total Net Assets	\$ 937,936	\$ 848,315	\$ 106,949	\$ 103,464
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(327)	(1,888)		
Net Assets of Business-Type Activities	\$ 937,609	\$ 846,427		

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2005	2004	2005	2004
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 748,553	\$ 777,919	\$ 146,119	\$ 141,313
OPERATING EXPENSES				
Long-Term Purchased Power	225,061	229,416	-	-
Short-Term Wholesale Power Purchases	62,214	49,714	-	-
Generation	18,896	20,284	-	-
Transmission	38,163	36,283	-	-
Distribution	40,403	40,973	-	-
Energy Management and Other Power Expenses	20,296	18,312	-	-
Resource Management	-	-	9,967	7,398
Field Operations	-	-	27,094	26,120
Engineering Services	-	-	3,372	3,510
Customer Services	31,639	33,681	8,029	7,487
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	52,746	46,043	12,857	11,270
City Business and Occupation Taxes	33,394	34,488	14,114	9,933
Other Taxes	27,232	26,956	5,050	5,572
Amortization of Deferred Power Costs	-	100,000	-	-
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	74,549	73,853	34,816	29,705
Total Operating Expenses	624,593	710,003	115,299	100,995
Operating Income (Loss)	123,960	67,916	30,820	40,318
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	5,710	2,481	2,492	1,023
Interest Expense	(71,324)	(73,824)	(34,778)	(28,415)
Amortization of Debt Costs	(2,322)	(2,481)	(266)	(269)
Gain (Loss) on Sale of Capital Assets	283	2,154	10	946
Contributions and Grants	1,991	1,191	321	148
Others, Net	(576)	(349)	349	693
Total Nonoperating Revenues (Expenses)	(66,238)	(70,828)	(31,872)	(25,874)
Income (Loss) Before Capital Contributions and Grants and Transfers	57,722	(2,912)	(1,052)	14,444
Capital Contributions and Grants	24,188	16,673	4,773	3,399
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	81,910	13,761	3,721	17,843
Net Assets -Beginning of Year	303,887	290,126	298,343	280,500
Net Assets - End of Year	\$ 385,797	\$ 303,887	\$ 302,064	\$ 298,343
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Nonmajor Funds	
	2005	2004	2005	Restated 2004
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 176,482	\$ 162,118	\$ 156,522	\$ 151,702
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Resource Management	7,113	7,262	7,508	6,973
Field Operations	11,091	12,180	8,679	7,525
Engineering Services	3,420	3,105	98	747
Customer Services	5,269	6,011	5,677	5,323
Wastewater Treatment	90,491	83,711	-	-
Solid Waste Collection	-	-	58,035	59,521
Operations and Maintenance	-	-	37,701	40,355
General and Administrative	12,458	11,319	13,790	12,959
City Business and Occupation Taxes	20,079	15,793	14,948	14,742
Other Taxes	752	2,247	1,529	1,519
Amortization of Deferred Power Costs	-	-	-	-
Amortization of Landfill and Postclosure Costs	-	-	3,175	2,724
Depreciation and Other Amortization	14,673	11,407	6,625	6,335
Total Operating Expenses	165,346	153,035	157,765	158,723
Operating Income (Loss)	11,136	9,083	(1,243)	(7,021)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	1,898	376	711	390
Interest Expense	(13,721)	(10,770)	(5,496)	(5,551)
Amortization of Debt Costs	(90)	(75)	60	60
Gain (Loss) on Sale of Capital Assets	-	-	145	272
Contributions and Grants	571	274	310	846
Others, Net	10	(4,822)	(324)	(253)
Total Nonoperating Revenues (Expenses)	(11,332)	(15,017)	(4,594)	(4,236)
Income (Loss) Before Capital Contributions and Grants and Transfers	(196)	(5,934)	(5,837)	(11,257)
Capital Contributions and Grants	1,479	939	89	162
Transfers In	-	-	8,456	9,762
Transfers Out	-	-	-	(25)
Change in Net Assets	1,283	(4,995)	2,708	(1,358)
Net Assets -Beginning of Year	243,195	248,190	2,889	4,247
Net Assets - End of Year	\$ 244,478	\$ 243,195	\$ 5,597	\$ 2,889
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

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IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

	Business-Type Activities - Enterprise Funds Comparative Totals		Governmental Activities - Internal Service Funds	
	2005	Restated 2004	2005	2004
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 1,227,676	\$ 1,233,052	\$ 115,534	\$ 95,649
OPERATING EXPENSES				
Long-Term Purchased Power	225,061	229,416	-	-
Short-Term Wholesale Power Purchases	62,214	49,714	-	-
Generation	18,896	20,284	-	-
Transmission	38,163	36,283	-	-
Distribution	40,403	40,973	-	-
Energy Management and Other Power Expenses	20,296	18,312	-	-
Resource Management	24,588	21,633	-	-
Field Operations	46,864	45,825	-	-
Engineering Services	6,890	7,362	6,817	5,747
Customer Services	50,614	52,502	-	-
Wastewater Treatment	90,491	83,711	-	-
Solid Waste Collection	58,035	59,521	-	-
Operations and Maintenance	37,701	40,355	79,912	69,533
General and Administrative	91,851	81,591	7,845	8,164
City Business and Occupation Taxes	82,535	74,956	5	20
Other Taxes	34,563	36,294	252	206
Amortization of Deferred Power Costs	-	100,000	-	-
Amortization of Landfill and Postclosure Costs	3,175	2,724	-	-
Depreciation and Other Amortization	130,663	121,300	13,261	13,030
Total Operating Expenses	1,063,003	1,122,756	108,092	96,700
Operating Income (Loss)	164,673	110,296	7,442	(1,051)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	10,811	4,270	1,307	658
Interest Expense	(125,319)	(118,560)	(287)	(211)
Amortization of Debt Costs	(2,618)	(2,765)	-	-
Gain (Loss) on Sale of Capital Assets	438	3,372	(154)	(108)
Contributions and Grants	3,193	2,459	3,846	841
Others, Net	(541)	(4,731)	-	305
Total Nonoperating Revenues (Expenses)	(114,036)	(115,955)	4,712	1,485
Income (Loss) Before Capital Contributions and Grants and Transfers	50,637	(5,659)	12,154	434
Capital Contributions and Grants	30,529	21,173	-	-
Transfers In	8,456	9,762	1,447	8,003
Transfers Out	-	(25)	(10,115)	(6,593)
Change in Net Assets	89,622	25,251	3,486	1,844
Net Assets -Beginning of Year			103,463	101,620
Net Assets - End of Year			\$ 106,949	\$ 103,464
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	1,561	(552)		
Change in Net Assets of Business-Type Activities	\$ 91,183	\$ 24,699		

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2005	2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 742,713	\$ 791,009	\$ 146,192	\$ 141,226
Cash Paid to Suppliers	(280,003)	(334,940)	(17,512)	(27,212)
Cash Paid to Employees	(145,790)	(142,782)	(42,891)	(23,702)
Cash Paid for Taxes	(63,740)	(71,040)	(19,879)	(15,981)
Net Cash from Operating Activities	253,180	242,247	65,910	74,331
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	(70,000)	-	-
Payment of Interfund Loan/Note	-	-	-	-
Decrease in Bond Reserve Account	(87,407)	-	-	-
Increase in Contingency Reserve Account	25,000	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	-	(489)	-	-
Operating Grants Received	8,924	6,504	321	148
Service for Others	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	4,825	8,628	-	-
Payments for Energy Conservation Augmentation	(16,384)	(17,165)	-	-
Intergovernmental Revenues and Other	-	-	349	692
Net Cash from Noncapital Financing Activities	(65,042)	(72,522)	670	840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	-	299,112	-	89,157
Receipt from Fiscal Agent	-	-	10	-
Principal Payments on Long-Term Debt and Refunding	(75,030)	(291,299)	(22,488)	(21,718)
Capital Expenditures and Deferred Charges Paid	(130,739)	(105,350)	(62,945)	(61,789)
Interest Paid On Long-Term Debt	(69,368)	(74,745)	(37,112)	(33,360)
Capital Fees and Grants Received	10,910	12,055	4,773	3,399
Increase in Construction Account	62,407	-	-	-
Debt Issuance Costs	-	-	-	(553)
Proceeds from Sale of Capital Assets	307	2,364	14	35
Net Cash from Capital and Related Financing Activities	(201,513)	(157,863)	(117,748)	(24,829)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	26,888	83,237	339,962	24,436
Purchases of Investments	-	(41,881)	(287,239)	(88,194)
Interest Received on Investments	6,662	3,792	2,542	1,023
Net Cash from Investing Activities	33,550	45,148	55,265	(62,735)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	20,175	57,010	4,097	(12,393)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	157,538	100,535	36,653	49,046
End of Year	\$ 177,713	\$ 157,545	\$ 40,750	\$ 36,653
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 141,898	\$ 60,715	\$ 8,879	\$ 6,011
Current Assets Restricted Cash and Equity in Pooled Investments	-	5,219	18,744	13,104
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	35,815	91,611	13,127	17,538
Total Cash at the End of the Year	\$ 177,713	\$ 157,545	\$ 40,750	\$ 36,653

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Nonmajor Funds	
	2005	Restated 2004	2005	Restated 2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 175,295	\$ 159,341	\$ 158,477	\$ 153,212
Cash Paid to Suppliers	(97,284)	(110,760)	(100,033)	(104,864)
Cash Paid to Employees	(30,315)	(12,094)	(31,197)	(27,947)
Cash Paid for Taxes	(19,381)	(16,763)	(17,755)	(21,168)
Net Cash from Operating Activities	28,315	19,724	9,492	(767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	-	-	-
Payment of Interfund Loan/Note	-	-	-	-
Decrease in Bond Reserve Account	-	-	-	-
Increase in Contingency Reserve Account	-	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	-	-	-	-
Operating Grants Received	571	274	396	1,004
Service for Others	-	-	(324)	-
Transfers In	-	-	8,456	9,762
Transfers Out	-	-	-	(25)
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Intergovernmental Revenues and Other	(1,508)	(1,659)	-	-
Net Cash from Noncapital Financing Activities	(937)	(1,385)	8,528	10,741
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	4,000	1,776
Proceeds from Sale of Bonds and Other Long-Term Debt	3,376	64,959	-	-
Receipt from Fiscal Agent	-	-	-	-
Principal Payments on Long-Term Debt and Refunding	(6,375)	(5,234)	(5,015)	(4,773)
Capital Expenditures and Deferred Charges Paid	(39,360)	(28,080)	(10,411)	(4,680)
Interest Paid On Long-Term Debt	(14,696)	(12,465)	(5,155)	(5,039)
Capital Fees and Grants Received	1,479	938	3	4
Increase in Construction Account	-	-	-	-
Debt Issuance Costs	-	(515)	-	-
Proceeds from Sale of Capital Assets	-	-	145	261
Net Cash from Capital and Related Financing Activities	(55,576)	19,603	(16,433)	(12,451)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	184,140	5,200	-	-
Purchases of Investments	(154,775)	(52,078)	-	-
Interest Received on Investments	1,495	229	711	389
Net Cash from Investing Activities	30,860	(46,649)	711	389
Net Increase (Decrease) in Cash and Equity in Pooled Investments	2,662	(8,707)	2,298	(2,088)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	17,250	25,957	25,022	27,110
End of Year	<u>\$ 19,912</u>	<u>\$ 17,250</u>	<u>\$ 27,320</u>	<u>\$ 25,022</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 8,752	\$ 7,676	\$ 27,320	\$ 25,009
Current Assets Restricted Cash and Equity in Pooled Investments	5,529	4,097	-	13
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	5,631	5,477	-	-
Total Cash at the End of the Year	<u>\$ 19,912</u>	<u>\$ 17,250</u>	<u>\$ 27,320</u>	<u>\$ 25,022</u>

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The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds	
	Comparative Totals			
	2005	Restated 2004	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,222,677	\$ 1,244,788	\$ 113,021	\$ 99,231
Cash Paid to Suppliers	(494,832)	(577,776)	(46,090)	(42,695)
Cash Paid to Employees	(250,193)	(206,525)	(45,341)	(43,306)
Cash Paid for Taxes	(120,755)	(124,952)	(247)	(205)
Net Cash from Operating Activities	356,897	335,535	21,343	13,025
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	(70,000)	-	-
Payment of Interfund Loan/Note	-	-	(1,100)	(600)
Decrease in Bond Reserve Account	(87,407)	-	-	-
Increase in Contingency Reserve Account	25,000	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	-	(489)	-	-
Operating Grants Received	10,212	7,930	3,846	841
Service for Others	(324)	-	-	-
Transfers In	8,456	9,762	1,447	8,003
Transfers Out	-	(25)	(10,115)	(6,593)
Receipts for Energy Conservation Augmentation	4,825	8,628	-	-
Payments for Energy Conservation Augmentation	(16,384)	(17,165)	-	-
Intergovernmental Revenues and Other	(1,159)	(967)	-	-
Net Cash from Noncapital Financing Activities	(56,781)	(62,326)	(5,922)	1,651
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	4,000	1,776	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	3,376	453,228	-	-
Receipt from Fiscal Agent	10	-	-	-
Principal Payments on Long-Term Debt and Refunding	(108,908)	(323,024)	(950)	(1,101)
Capital Expenditures and Deferred Charges Paid	(243,455)	(199,899)	(15,209)	(13,616)
Interest Paid On Long-Term Debt	(126,331)	(125,609)	(201)	(266)
Capital Fees and Grants Received	17,165	16,396	-	-
Increase in Construction Account	62,407	-	-	-
Debt Issuance Costs	-	(1,068)	-	-
Proceeds from Sale of Capital Assets	466	2,660	(154)	(108)
Net Cash from Capital and Related Financing Activities	(391,270)	(175,540)	(16,514)	(15,091)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	550,990	112,873	-	-
Purchases of Investments	(442,014)	(182,153)	-	-
Interest Received on Investments	11,410	5,433	1,308	658
Net Cash from Investing Activities	120,386	(63,847)	1,308	658
Net Increase (Decrease) in Cash and Equity in Pooled Investments	29,232	33,822	215	243
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	236,463	202,648	42,989	42,746
End of Year	\$ 265,695	\$ 236,470	\$ 43,204	\$ 42,989
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 186,849	\$ 99,411	\$ 43,121	\$ 42,984
Current Assets Restricted Cash and Equity in Pooled Investments	24,273	22,433	83	5
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	54,573	114,626	-	-
Total Cash at the End of the Year	\$ 265,695	\$ 236,470	\$ 43,204	\$ 42,989

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2005	2004	2005	2004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 123,960	\$ 67,916	\$ 30,820	\$ 40,318
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	74,549	73,853	34,816	29,705
Depreciation and Amortization Included in Operations and Maintenance	-	10,322	-	-
Amortization of Deferred Power Costs	8,301	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	15,065	(2,753)	338	(194)
Unbilled Receivables	1,072	(609)	97	(389)
Other Receivables	(10)	3,671	103	296
Due from Other Funds	17,623	(19,271)	(2)	383
Due from Other Governments	6,076	(4,032)	567	(183)
Materials and Supplies Inventory	(2,765)	(161)	127	161
Accounts Payable	18,934	5,397	(288)	(3,426)
Salaries, Benefits, and Payroll Taxes Payable	2,138	1,070	2	475
Compensated Absences Payable	141	131	321	203
Due to Other Funds	1,174	(620)	505	(329)
Due to Other Governments	-	-	(619)	674
Claims Payable	2,782	1,948	(957)	1,269
Energy and Other Contracts Payable	(434)	(1,834)	-	-
Taxes Payable	463	(1,162)	(125)	122
Streetlight Refund Payable	(16,134)	19,998	-	-
Deferred Credits	-	(13,013)	1,038	5,000
Other Assets and Liabilities	245	1,396	(833)	246
Total Adjustments	129,220	174,331	35,090	34,013
Net Cash from Operating Activities	<u>\$ 253,180</u>	<u>\$ 242,247</u>	<u>\$ 65,910</u>	<u>\$ 74,331</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 7,322	\$ 298	\$ -	\$ -
Note Payable for Acquisition of Capital Assets	9,594	-	-	-
Disposal of Equipment	-	-	-	-
Fair Value Adjustment of Long-Term Investments	-	-	36	-
Total Noncash Activities	<u>\$ 16,916</u>	<u>\$ 298</u>	<u>\$ 36</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Nonmajor Funds	
	2005	Restated 2004	2005	Restated 2004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 11,136	\$ 9,083	\$ (1,243)	\$ (7,021)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	14,673	11,407	9,800	9,059
Depreciation and Amortization Included in Operations and Maintenance	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(488)	(1,483)	1,538	(1,756)
Unbilled Receivables	(1,009)	(689)	17	112
Other Receivables	-	-	-	-
Due from Other Funds	(44)	84	(280)	(386)
Due from Other Governments	694	(302)	34	9
Materials and Supplies Inventory	-	-	58	(11)
Accounts Payable	902	(238)	(347)	(572)
Salaries, Benefits, and Payroll Taxes Payable	121	289	187	233
Compensated Absences Payable	180	114	337	236
Due to Other Funds	1,482	(670)	307	(1,572)
Due to Other Governments	378	255	103	(88)
Claims Payable	169	2,091	(288)	367
Energy and Other Contracts Payable	-	-	-	-
Taxes Payable	(32)	(1)	(9)	52
Streetlight Refund Payable	-	-	-	-
Deferred Credits	172	(2)	104	(156)
Other Assets and Liabilities	(19)	(214)	(826)	727
Total Adjustments	17,179	10,641	10,735	6,254
Net Cash from Operating Activities	<u>\$ 28,315</u>	<u>\$ 19,724</u>	<u>\$ 9,492</u>	<u>\$ (767)</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
Note Payable for Acquisition of Capital Assets	-	-	-	-
Disposal of Equipment	-	-	-	11
Fair Value Adjustment of Long-Term Investments	47	(133)	-	-
Total Noncash Activities	<u>\$ 47</u>	<u>\$ (133)</u>	<u>\$ -</u>	<u>\$ 11</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds	
	Comparative Totals			
	2005	Restated 2004	2005	2004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 164,673	\$ 110,296	\$ 7,442	\$ (1,050)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	133,838	124,024	13,261	13,030
Depreciation and Amortization Included in Operations and Maintenance	-	10,322	-	-
Amortization of Deferred Power Costs	8,301	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	16,453	(6,186)	(533)	(2)
Unbilled Receivables	177	(1,575)	(1)	2
Other Receivables	93	3,967	-	-
Due from Other Funds	17,297	(19,190)	(1,558)	2,897
Due from Other Governments	7,371	(4,508)	(509)	764
Materials and Supplies Inventory	(2,580)	(11)	(145)	(75)
Accounts Payable	19,201	1,161	1,709	135
Salaries, Benefits, and Payroll Taxes Payable	2,448	2,067	80	296
Compensated Absences Payable	979	684	151	144
Due to Other Funds	3,468	(3,191)	1,687	(2,965)
Due to Other Governments	(138)	841	-	-
Claims Payable	1,706	5,675	(87)	50
Energy and Other Contracts Payable	(434)	(1,834)	-	(84)
Taxes Payable	297	(989)	11	-
Streetlight Refund Payable	(16,134)	19,998	-	-
Deferred Credits	1,314	(8,171)	88	(78)
Other Assets and Liabilities	(1,433)	2,155	(253)	(39)
Total Adjustments	192,224	225,239	13,901	14,075
Net Cash from Operating Activities	<u>\$ 356,897</u>	<u>\$ 335,535</u>	<u>\$ 21,343</u>	<u>\$ 13,025</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 7,322	\$ 298	\$ -	\$ -
Note Payable for Acquisition of Capital Assets	9,594	-	-	-
Disposal of Equipment	-	11	-	-
Fair Value Adjustment of Long-Term Investments	83	(133)	-	-
Total Noncash Activities	<u>\$ 16,999</u>	<u>\$ 176</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.